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FEDERAL COMMUNICATIONS COMMISSION
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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of

Amendment of the Part 69)
Allocation of General Support) CC Docket No. 92-222
Facility Costs)

REPLY COMMENTS OF
THE UNITED STATES TELEPHONE ASSOCIATION

The United States Telephone Association (USTA) hereby replies to the comments filed on December 4, 1992, in response to the Notice of Proposed Rulemaking (NPRM), FCC 92-440, in the above-captioned proceeding.

In its December 4 comments, USTA supported the Commission's proposal to amend Section 69.307 of its rules[1] by eliminating the "Category 1.3 exclusion" from the apportionment of General Support Facilities (GSF) investment among the Part 69 access categories. As USTA explained, such a rule revision will facilitate more rational pricing for both special and switched access services without compromising any important public interest goals. USTA also urged the Commission to treat the reallocated GSF costs in a manner similar to exogenous changes under Section 61.45(d) of the price cap rules.[2] Otherwise, price cap local exchange carriers (LECs) will lack the flexibility to reflect the reallocation in their rates and

[1] 47 C.F.R. § 69.307.

[2] 47 C.F.R. § 61.45(d).

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the Commission will not fully realize its objectives in this proceeding.[3] Finally, USTA asked the Commission to consider whether access rate structure changes are needed to accommodate the GSF reallocation and other possible costing revisions.

Twenty-two other parties filed comments in this proceeding. Nearly all parties agree with USTA that the Commission should modify Section 69.307 as proposed so as to achieve a more reasonable allocation of GSF costs among the access categories.[4] This support comes not only from local exchange carriers,[5] but also from interexchange carriers (IXCs)[6] and a major telecommunications user.[7] Even a

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[3] Rate-of-return LECs will automatically reflect the interstate GSF reallocation in their rates as the costing changes flow through to the relevant Part 69 access categories.

[4] The only party opposing the Commission's proposal is the Public Service Commission of the District of Columbia (DCPSC) whose concerns appear to center on the possible recovery of the reallocation through the subscriber line charge. See DCPSC Comments, p. 2. While USTA is always sensitive to concerns that regulatory action might affect the important goal of maintaining universal telephone service, USTA does not believe that the proposed rule change will frustrate that objective.

[5] See, e.g., Comments of Bell Atlantic, p. 1; GTE, p. 2; United Telephone Companies, p. 3. The LECs generally urge, as did USTA, that the reallocated GSF costs must be treated as an exogenous change under the price cap rules so that price cap LECs will have the ability to reflect the reallocation in their rates. See, e.g., Comments of the NYNEX Telephone Companies (NYNEX), pp. 2-3; Ameritech Operating Companies, pp. 3-4; Bell Atlantic, p. 1; GTE, p. 2.

[6] See Comments of American Telephone and Telegraph Company (AT&T), pp. 3-5 ("The existing over-allocation of GSF costs to the Special Access and Traffic-Sensitive Categories frustrates [the goal of efficient pricing of access charges] because it requires those categories to bear a disproportionate amount of

(continued...)

competitive access provider (CAP) supports the Commission's proposal assuming the new allocation will more closely approximate the "operation of market forces in a fully competitive market than does the present rule."[8]

In response to the Commission's request for comments on a methodology for calculating a contribution charge in the event that the Commission does not ultimately adopt its reallocation proposal,[9] most commenting parties made clear that prescription of a contribution charge to recover only special access GSF costs would be a distant second-best alternative to

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[6](...continued) GSF costs."); Comments of MCI Telecommunications Corporation, p. 2; Comments of Sprint Communications Co., pp. 1-2 ("[T]he Commission's proposal to eliminate this exclusion of Category 1.3 cable and wire facilities is an important first step in the separations and access reforms that need to be undertaken.")

[7] See Comments of General Services Administrations (GSA), pp. 3-4.

[8] Comments of MFS Communications Company, Inc.(MFS), p. 5. See also Comments on General Support Facility Costs, filed by Teleport Communications Group, p. 2 (The "appropriate response to the alleged misallocation of GSF costs is to fix that allocation on a prospective basis. . . .") USTA submits that the Commission's proposal will more closely reflect cost recovery in a fully competitive market since in a competitive market overheads would not be arbitrarily loaded onto some services (i.e., special access and transport) and not others (i.e., common line). MFS's suggestion (p. 6), however, "that 'significantly less' of the rate reduction resulting from GSF reallocation be taken from DS1 and DS3 rates than from other special access services", is not indicative of market forces in fully competitive markets. Instead, it reflects MFS's self-serving interest to keep rates for competitive services as high as possible.

[9] NPRM, ¶ 269.

the proposed reallocation.[10] USTA agrees with these parties,[11] and urges the Commission to adopt the proposed reallocation rather than prescribe a contribution charge. While GSF costs could be recovered through a public policy rate element that does not generate distorted pricing signals, a contribution charge linked to LEC services will continue the incentive users currently have to bypass the LEC network. Further, because the Commission's proposal would reallocate costs from switched transport as well as special access, it would also help to reduce the transport interconnection charge for tandem-switched traffic, a Commission objective in CC Docket No. 91-213.[12] Additionally, the overallocation of GSF costs to local switching would be corrected. These ancillary, but important, benefits would not be realized if the Commission prescribed a contribution charge for the recovery of excess GSF costs allocated to special access.

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[10] See, e.g., GSA Comments, pp. 4-5 ("[C]alculation [of a contribution charge] would be complex and burdensome . . . GSA strongly believes that the Commission's proposed change to the Part 69 allocation of GSF costs is a far better path to take."); Comments of Rochester Telephone Corporation, p. 10 (A contribution charge "would constitute a decidedly second-best alternative."); Comments of US WEST Communications, Inc. (US WEST), p. 5 ("[A] contribution charge would be an inappropriate and unsatisfactory alternative to the relatively simple Part 69 reallocation of GSF costs that the Commission has proposed in its NPRM.")

[11] See USTA's Comments, pp. 7-8.

[12] See Transport Rate Structure and Pricing, CC Docket No. 91-213, Report and Order and Further Notice of Proposed Rulemaking, FCC 92-442, released October 16, 1992, ¶¶ 133, 135.

Assuming that the proposed reallocation is adopted, the comments suggest only a few options for recovering the portion of GSF costs reallocated to common line. Some parties advocate increasing the end user common line charge (EUCL).[13] Other parties believe that carrier common line (CCL) rates should be increased to recover the proposed GSF reallocation, or advocate a combination of this option with a change in the EUCL.[14]

In its comments (at pp. 10-11), USTA noted that the most expeditious way of implementing the proposed GSF cost reallocation is to flow the resulting revenue requirement changes to the Part 69 access charge calculations for rate-of-return carriers, and to allow price cap LECs to make rate level changes, including changes to the appropriate indices, within the limits of the price cap rules. Such action will enable LECs to reflect the reallocation within their interstate rates coincident with implementation of expanded interconnection. There is a recognized need, however, to initiate a comprehensive proceeding to address not only long-term GSF cost recovery, but also other access rate structure and pricing

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[13] See, e.g., Comments of Cincinnati Bell Telephone Company, p. 4; NYNEX, p. 4 (permit a $0.35 per month surcharge on the EUCL rate); US WEST, p. 5, n. 16.

[14] See, e.g., AT&T Comments, pp. 7-8, n. 16 (CCL rates to increase after relatively minor increases in EUCL charge that are not yet at maximum); Comments of John Stauralakis, Inc. (JSI), p. 2; National Exchange Carrier Association (NECA), p. 2. But see Comments of Southwestern Bell Telephone Company (SWBT), p. 8 ("[I]n the long term, recovery of [GSF] costs through CCL may be counter productive and inappropriate.")

changes that are necessary in an increasingly competitive access market.[15] USTA urges the Commission to initiate such a comprehensive access review as soon as possible, so that these crucial issues can be constructively resolved for the competitive access marketplace.

Finally, in its comments (at p. 10, n. 32), USTA asked the Commission to adopt the proposed GSF cost reallocation by February 1, 1993, in order to provide both rate-of-return and price cap LECs the ability to reflect the reallocation by the time of their next annual filing. Other parties support expedited Commission action in this proceeding, urging that the reallocation proposal be adopted in time for implementation no later than the next annual tariff filing.[16]

CONCLUSION

The comments in this proceeding show overwhelming support for the Commission's proposal to amend Section 69.307 to eliminate the over-allocation of GSF costs to the special and switched access categories. For the reasons set forth in those comments, the Commission should adopt its proposal and provide

[15] See, e.g., SWBT Comments, p. 9 ("SWBT supports a comprehensive review of access to address all Public Policy concerns, including recovery of GSF costs in this proceeding."); Bell Atlantic Comments, p. 4 ("What is needed is a comprehensive reexamination of access charges and adoption of a more rational structure for the competitive marketplace."); Comments of Bell South Telecommunications, Inc., p. 3; NYNEX Comments, p. 5.

[16] See JSI Comments, p. 2; GTE Comments, p. 3; NECA Comments, pp. 3-4.

price cap LECs with the ability to reflect the GSF reallocation in their rates by treating the reallocation similar to an exogenous change under the price cap rules. The Commission should also initiate a comprehensive access review in order to address long-term GSF recovery and other important issues relevant to the rapid evolution of competitive access markets.

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